

FDIC State Profile

Spring 2004

Ohio

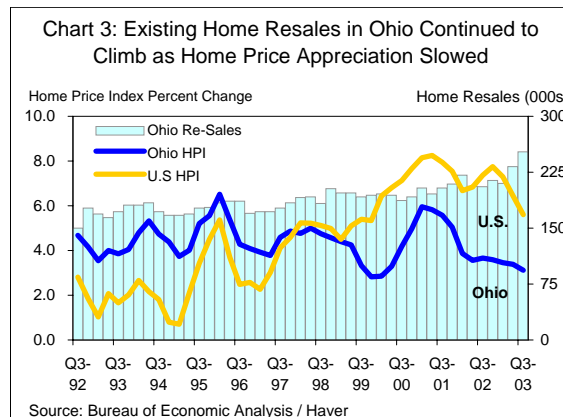
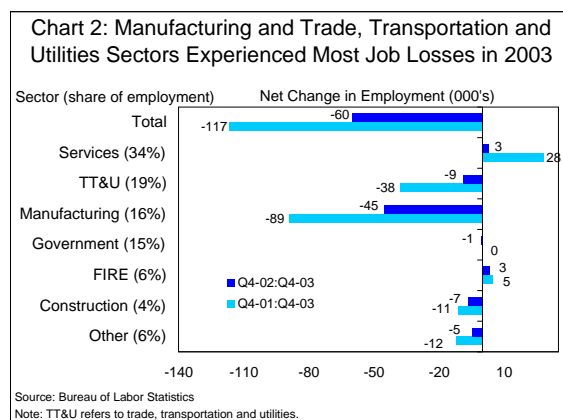
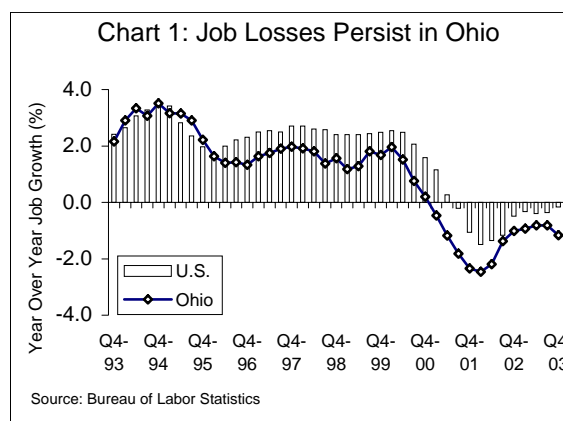
Ohio's labor market continued to deteriorate as the manufacturing sector remained weak

- Ohio continued to shed jobs faster than the nation as total non-farm payrolls are down 1.3 percent in the fourth quarter 2003, compared with one-year earlier (See Chart 1).
- Ohio had the fourth largest percentage decline in nonfarm payroll in the U.S. for the fourth quarter 2003, when compared with a year ago. The manufacturing and trade, transportation and utilities sectors employed 35 percent of Ohio's workforce, but accounted for 82 percent of the state's net job losses in 2003 (See Chart 2).
- Increases in the Midwest Manufacturing Index, manufacturers' capacity utilization rates, and new orders, as well as low inventories, suggest upcoming recovery for the manufacturing sector. However, manufacturing payrolls may not rebound to pre-recession levels as manufacturing firms are working to improve productivity and cut costs.
- Ohio's personal income growth continued to lag the Chicago region, as a result of Ohio's weak labor market and lower dividend, interest and rent income.

Housing markets remained active; however, commercial real estate (CRE) markets remained weak with high vacancy rates.

- Existing home sales continued to rise in 2003, boosted somewhat by low interest rates, while home price appreciation climbed by 3 percent (See Chart 3).
- Office vacancy rates in **Cincinnati** and **Columbus** metro areas have stabilized, but remain high at 19.1 percent and 22.7 percent according to Torto Wheaton Research. In contrast, the office vacancy rate for **Cleveland** increased to 18.3 percent in the fourth quarter 2003, up from 14.0 percent two-years ago. Negative absorption in Cleveland office areas pressured asking rents to year 2000 levels.

Ohio insured institutions reported continued net interest margin (NIM) contraction and lower profitability.



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- NIM contracted among Ohio insured community institutions¹ as banks and thrifts continued to face pressure from larger declines in loan yields than in deposit costs, a result associated with continued low short-term interest rates.
- Profitability at community institutions was reduced by lower net interest income and security gains (See Table 1).
- Ohio mortgage institutions also experienced margin contractions, however, aggregate return on assets improved from higher noninterest income and lower operating expenses. Noninterest income increased largely from lower impairment charges on mortgage servicing rights.

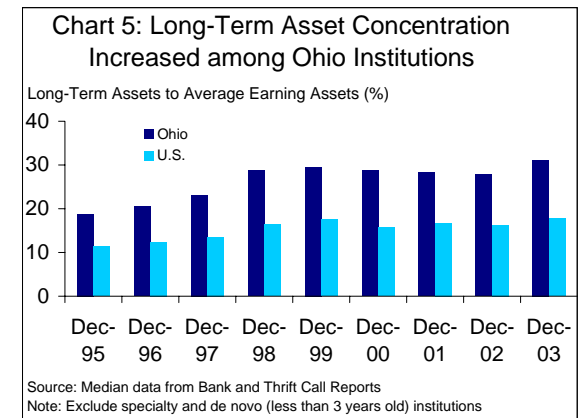
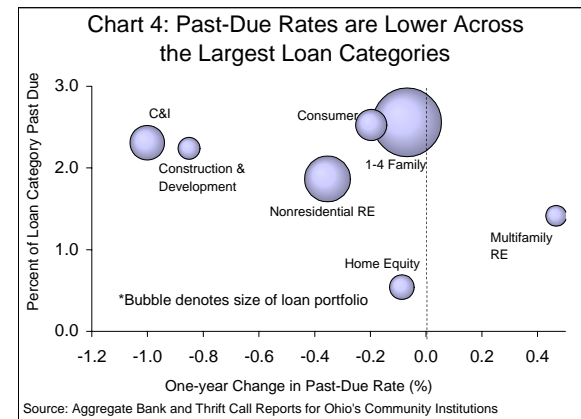
Overall credit quality improved for Ohio insured institutions, however, CRE loan performance in Cleveland MSA institutions has deteriorated.

- Credit quality improved for Ohio community institutions as aggregate past-due rates declined to 2.18 percent in the fourth quarter 2003, down from 2.45 percent in the fourth quarter 2002.
- Asset quality among Ohio community institutions improved due to declines in delinquencies across the largest loan categories (See Chart 4).
- Ohio community institutions experienced lower aggregate net charge-offs to average loans and leases (NCO); however, the NCO ratio for large Ohio-headquartered institutions increased by 24 basis points to 1.14 percent, largely a result of seasonally higher charge-offs in the commercial and industrial loans category.
- CRE loan exposure increased in all Ohio's largest office markets. However, past-due rates worsened for only institutions headquartered in the Cleveland MSA in the fourth quarter 2003. Cleveland MSA institutions reported significant deterioration in CRE noncurrent loan levels as the median ratio climbed from 0.53 percent in fourth quarter 2002 to 1.66 percent in the fourth quarter 2003.
- Median capital and reserve ratios held steady for all Ohio institutions at 9.26 percent and 1.02 percent, respectively.
- Ohio insured institutions reported higher long-term asset concentrations than the nation (See Chart 5). Institutions with higher concentrations in long-term assets could face additional margin compression, asset depreciation, and extension in asset duration in a rising rate environment.

Table 1: Profitability Declined from Lower Net Interest Income and Security Gains

Income statement contribution (as a percentage of average assets)			
	3 months ended December 31		Basis Point Change
	2002	2003	
Net Interest Income	3.62	3.40	-0.22
Total Noninterest Income	0.69	0.68	-0.01
Noninterest Expense	-2.80	-2.78	0.02
Provision Expense	-0.40	-0.24	0.16
Security Gains & Losses	0.22	0.14	-0.08
Income Taxes	-0.37	-0.32	0.05
Net Income (ROA)	0.95	0.88	-0.07

Source: Bank and thrift call reports; aggregate data for Ohio community institutions



¹Insured institutions with less than \$1 billion in assets, excluding new (<3 years old) and specialty banks.

Ohio at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	304	315	324	339	354
Total Assets (in thousands)	648,193,347	599,737,066	551,844,094	435,514,659	378,710,673
New Institutions (# < 3 years)	5	7	13	16	13
New Institutions (# < 9 years)	24	25	25	23	22
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.26	9.28	9.17	9.33	9.34
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.89%	2.18%	2.32%	1.80%	1.74%
Past-Due and Nonaccrual >= 5%	26	29	36	27	26
ALLL/Total Loans (median %)	1.02%	1.02%	1.00%	0.96%	1.01%
ALLL/Noncurrent Loans (median multiple)	1.18	1.05	1.07	1.44	1.75
Net Loan Losses/Loans (aggregate)	0.94%	0.91%	0.93%	0.45%	0.45%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	16	17	17	19	21
Percent Unprofitable	5.26%	5.40%	5.25%	5.60%	5.93%
Return on Assets (median %)	0.96	0.98	0.90	0.95	0.99
25th Percentile	0.62	0.64	0.56	0.61	0.64
Net Interest Margin (median %)	3.80%	3.89%	3.78%	4.00%	4.02%
Yield on Earning Assets (median)	5.76%	6.63%	7.65%	8.05%	7.68%
Cost of Funding Earning Assets (median)	2.03%	2.76%	3.95%	4.26%	3.85%
Provisions to Avg. Assets (median)	0.11%	0.15%	0.13%	0.11%	0.08%
Noninterest Income to Avg. Assets (median)	0.54%	0.51%	0.50%	0.45%	0.44%
Overhead to Avg. Assets (median)	2.74%	2.72%	2.63%	2.67%	2.69%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	83.39%	81.81%	85.25%	88.69%	87.10%
Loans to Assets (median %)	68.87%	69.21%	70.59%	73.70%	71.29%
Brokered Deposits (# of Institutions)	64	58	62	70	71
Bro. Deps./Assets (median for above inst.)	3.86%	5.13%	5.09%	3.52%	1.88%
Noncore Funding to Assets (median)	17.68%	16.62%	16.66%	16.31%	15.76%
Core Funding to Assets (median)	68.99%	70.99%	71.04%	70.59%	71.66%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	66	70	70	71	73
National	85	86	88	92	94
State Member	40	42	43	48	52
S&L	58	61	64	71	78
Savings Bank	29	31	33	30	30
Stock and Mutual SB	26	25	26	27	27
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	131	24,829,410	43.09%	3.83%	
Cincinnati OH-KY-IN PMSA	44	277,519,374	14.47%	42.81%	
Cleveland-Lorain-Elyria OH PMSA	28	198,309,925	9.21%	30.59%	
Columbus OH	28	102,077,786	9.21%	15.75%	
Dayton-Springfield OH	12	2,194,314	3.95%	0.34%	
Mansfield OH	10	2,168,818	3.29%	0.33%	
Youngstown-Warren OH	10	19,199,139	3.29%	2.96%	
Akron OH	8	11,174,421	2.63%	1.72%	
Parkersburg-Marietta WV-OH	7	2,023,743	2.30%	0.31%	
Toledo OH	6	1,214,537	1.97%	0.19%	
Lima OH	5	955,711	1.64%	0.15%	
Hamilton-Middletown OH PMSA	4	2,687,894	1.32%	0.41%	
Canton-Massillon OH	3	2,956,952	0.99%	0.46%	